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IN THE

Supreme Court of the United States

OCTOBER TERM, 1966

No. 887

UNITED STATES RUBBER COMPANY, *Petitioner,*

v.

UNDERWATER STORAGE INC., *Respondent.*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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INDEX

	Page
Opinions Below	1
Jurisdiction	2
Questions Presented	2
Statute Involved	4
Concise Statement of the Case	4
Argument	8
Operation of Statutes of Limitations Generally	8
The Nature of the Cause of Action for Tortious Misappropriation of a Trade Secret	8
The "Fraud Cases" Exception to the General Application of Statutes of Limitations	13
The Remedy Created by the Court of Appeals in This Case	14
The Court of Appeals' Reliance Upon the *International News Service* Case	16
The Court of Appeals' Decision Conflicts With the Established Maxims of Equity	19
Summary	20

Appendix:

A. Complaint	1a
B. Answer	3a
C. Statute of Limitations	5a
D. Opinion of District Court	6a
E. Opinion of Circuit Court	8a
F. Restatement, Torts	17a

CITATIONS

CASES: Page

Brulotte v. Thys Co., 279 U.S. 29 (1964) 17
Cheney Bros. v. Doris Silk Corp., 35 F.2d 279 (2d Cir. 1929), *cert. denied* 281 U.S. 728 (1930) 18
Cincinnati Bell Foundry Co. v. Dodds, 19 Weekly Law Bulletin 84 (Ohio 1887) 10
International News Service v. Associated Press, 248 U.S. 215 (1918) 3, 16, 17
Sachs v. Cluett, Peabody and Co., 265 App. Div. 497, 39 N.Y.S. 2d 853 (First Dept. 1943) *aff'd mem.* 291 N.Y. 772, 53 N.E. 2d 241 (1944) 9
Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249 (1945) 17
Reichenfelder v. Quinn, 287 U.S. 315 (1932) 19

STATUTES:

28 U.S.C. § 1254(1) 2
28 U.S.C. § 1332 5
77 Stat. 510 (1963) D.C. CODE, 1961 Ed. § 12-301 (Supp. III, 1964) 4, 6

MISCELLANEOUS:

RESTATEMENT, TORTS § 757 (1939) 11

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OPINIONS BELOW

The opinion of the Court of Appeals is reported at U.S. App. D.C. , F.2d. , 151 U.S.P.Q. 90, 156 N.Y. LAW J., Nov. 14, 1966, p. 1, 94 WASH. L. REP. 1721 (1966) and is reprinted herein as Appendix E. The opinion of the United States District Court for the District of Columbia is reported at 249 F. Supp. 235, 147 U.S.P.Q. 408 (1965) and is reprinted herein as Appendix D.

JURISDICTION

The judgment of the Court of Appeals was dated and entered on September 21, 1966. A timely petition for rehearing was denied on October 27, 1966. The jurisdiction of this court is invoked pursuant to 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

1. A statute of limitations applicable to tortious disclosure or use of another's trade secrets states that no action shall be brought after the expiration of three years from the time at which it accrues. *Query:* Where a trade secret owner learns that his secret has been misappropriated, used and destroyed by general publication and thereafter delays bringing any action against the tort-feasor for more than three years, is his entire right of action barred by the statute (as the District Court held) or, despite his inaction for more than three years after learning of the destruction of his trade secret, does his right of action persist forever with respect to uses by the tort-feasor occurring within three years of any future action he may bring (as the Court of Appeals held)?

2. The Court of Appeals reinstated plaintiff's complaint alleging (1) plaintiff's ownership of a trade secret, (2) the issuance to plaintiff of a United States patent covering the trade secret, (3) defendant's misappropriation, use and general publication of the secret before issuance of the patent and further use thereafter, and (4) praying for money damages and an injunction against defendant's further use of the former secret. *Query:* Is the plaintiff entitled to the injunctive relief prayed for after defendant's general publication of the secret since it is clear that

an adequate remedy is provided at law by way of money damages for the value of the destroyed trade secret and an injunction could not operate to retrieve the secret from the public's knowledge and thereby prevent irreparable injury, but could only have the purely punitive effect of removing defendant permanently as a competitor to the plaintiff and all others in the trade after the patent covering the trade secret has expired?

3. In *International News Service* v. *Associated Press,* 248 U.S. 215 (1918) this Court found that one who painstakingly gathers news does not absolutely lose, by publishing this news, all right to control the use which his competitors may make of the published news and issued an injunction to preserve the competitive positions of the parties as they existed prior to the wrongdoing with respect to each other and with respect to other competitors. *Query:* Is *International News Service* to be taken as authority for issuing an injunction against the wrongdoer in the case of misappropriation and publication of a trade secret where the effect of an injunction will not be to preserve the positions of the parties but will be to permanently disable the defendant as a competitor of the plaintiff and others in the trade?

4. The Court of Appeals for the District of Columbia Circuit has reversed the District Court to adopt a construction of the effect of the statute of limitations enacted by Congress upon actions for the tortious misappropriation of trade secrets whereunder actions for past wrongs, rather than being quieted by the passage of time, can forever be brought. The Court of Appeals acknowledges the absence of dispositive precedent from any jurisdiction for this construction, but relies upon an expression of public policy which it

finds by interpreting *International News Service* in a manner in direct conflict with the restrictive interpretation given to that case by other circuits. *Query:* Should not this court review this decision so fundamental to the nature of the rights in trade secrets, a burgeoning area of the law having already significant and constantly growing impact upon the commerce of the nation?

STATUTE INVOLVED

This case involves 77 Stat. 510 (1963), D. C. CODE, 1961 Ed. § 12-301 (Supp. III, 1964) which is set out in full herein in Appendix C. The relevant portion of this statute provides:

> . . . .[A]ctions for the following purposes may not be brought after the expiration of the period specified below from the time the right to maintain the action accrues:
>
> . . . (8) for which a limitation is not otherwise specially prescribed—3 years.

CONCISE STATEMENT OF THE CASE

In 1960 petitioner (defendant below), under a contract with the Office of Naval Research of the U.S. Navy, installed in the Gulf of Mexico an underwater oil storage facility capable of holding quantities of petroleum beneath the surface of the ocean until they are needed to fuel naval surface ships. Upon the conclusion of testing of this demonstration installation the petitioner, still pursuant to the terms of the contract, disassembled the same and prepared a written description of the facilities and of the results of the demonstration in a report which it submitted to the U.S. Navy and which the U.S. Navy published in

December, 1960 in a booklet entitled "Development of a 50,000 Gallon Submersible Fuel Cache" which was distributed to the general public.

On March 27, 1964 the respondent (plaintiff below) brought this action in the U.S. District Court for the District of Columbia under 28 U.S.C. § 1332 alleging that Dr. Harold G. Quase, its executive vice-president, had developed "certain systems, methods, technical know-how, and inventions relating to an underwater storage system for strategic materials", that Dr. Quase had assigned all of his rights thereto to plaintiff, and that "during various times beginning in 1958 defendant [had] wrongfully appropriated and utilized these . . . including use thereof in connection with the said Navy contract." (The entire complaint is set out herein in Appendix A.)

Dr. Quase has stated upon deposition that he obtained a copy of the said U.S. Navy report "practically a week after it came out", in January or February of 1961, and that he was convinced from a reading of this report that defendant was "infringing" his rights. (Relevant excerpts from the deposition of Dr. Quase are set out in the Joint Appendix, pp. 11-52, which is contained in the certified record.) In his deposition Dr. Quase also stated that, while he did not know how defendant had obtained his secrets, the only way in which defendant could have obtained them was through a third party who might have been a person or persons in the Office of Naval Research of the U.S. Navy to whom, Dr. Quase alleges, he entrusted his secret information in confidence. Plaintiff prayed for damages in the amount of five million dollars ($5,000,000) for this appropriation and utilization, a declaration that plaintiff is the owner of the

said systems, methods and inventions and a perpetual injunction against defendants for the use thereof.

Defendant answered by admitting that it had been a party to the said government contract but denying that it had ever wrongfully appropriated or used any technical know-how or trade secrets of the plaintiff or its assignor, Dr. Quase, and denying that any of its publications referred to any wrongfully acquired know-how or trade secrets. Defendant also pleaded the three year statute of limitations. (The Answer is set out herein in Appendix B.)

There is no dispute between the parties as to the fact that the applicable portion of the statute of limitations is the one which provides that actions may not be brought more than three years from the time that the right to maintain them accrues. (The statute, 77 Stat. 510 (1963), D. C. CODE, 1961 ED. § 12-301 (Supp. III, 1964) is set out in full herein in Appendix C.) Nor is there any suggestion that the statute had been tolled at any time.

The District Court granted summary judgment for defendant on the ground that the statute of limitations had run since plaintiff first learned of the alleged misappropriation, use and general publication of the secret.

On plaintiff's appeal, the Court of Appeals reversed, holding that although there was no dispositive precedent on the point plaintiff should on policy grounds recover for any use of the formerly secret information by defendant which could be proven to have occurred within the three years immediately preceding the bringing of the action. To defendant's argument that there can be no recovery for use of formerly secret informa-

tion more than three years after the destruction of the secret by its general publication, the Circuit Court answered:

> Insofar as appellee's argument extends to parties who are not misappropriators in the first instance, or possessors of the secret by virtue of learning it from the misappropriator(s) with knowledge that it was stolen, we believe this argument to have merit. However, the fault in appellee's reasoning lies in its applying as a test to its own actions the rights of appellant as against the public generally (*id est,* those who have acquired the secret after publication), instead of considering the rule which should obtain between the original possessor and the misappropriator or those who have received the secret from the misappropriator with knowledge of the wrongful appropriation. We do not believe that a misappropriator or his privies can "baptize" their wrongful actions by general publication of the secret. Nor do we believe that the fact of the destruction of the secret prevents the continued use by the misappropriator or his privies from being a continuing wrong *vis-a-vis* the original possessor of the secret. It is the continuing use of another's secret, wrongfully obtained, or used after knowledge that it has been wrongfully obtained, that makes the tort a continuing one. Once the secret is out, the rest of the world may well have a right to copy it at will; but this should not protect the misappropriator or his privies. Their gain is ill-gotten and the passage of time or publication to the rest of the world should not serve to cleanse their hands. See *International News Serv.* v. *Associated Press,* 248 U.S. 215, 239 (1918).

ARGUMENT

Operation of Statutes of Limitations Generally

In considering any decision determined on public policy grounds as to how a statute of limitations defense shall be applied to a cause of action, it is useful to keep in mind the well-known public policy to which the Congress addressed itself in enacting such a statute. It is indisputable that by their very nature, statutes of limitations inevitably work for the benefit of the wrongdoer *vis-à-vis* a party who fails to bring his action within the specified period after he is first able to do so. In this sense statute of limitations defenses always serve to "baptize" the wrongful act. However, the statute of limitations need not deprive a party suffering a wrong of his right to recover therefor. All it requires of him is that he bring his action within the time which the statute specifies after his cause of action has accrued. To determine the effect of the statute upon this particular cause of action it is therefore necessary first to determine what the essential elements of a cause of action for misappropriation of a trade secret are. When these are present, the cause of action must be said to have accrued.

The Nature of the Cause of Action for Tortious Misappropriation of a Trade Secret

It is beyond dispute that the owner of a trade secret will be protected in his interest in maintaining exclusivity of knowledge of his secret information and in preventing unauthorized use thereof. When another tortiously obtains knowledge of this secret and makes such unauthorized use thereof as falls short of its general publication, a cause of action for damages for the unauthorized use and for an injunction against

further use thereof by the tort-feasor, but most importantly for an injunction against general disclosure of the trade secret by the tort-feasor accrues to the owner of the secret.

General disclosure of the trade secret is the greatest wrong which can be committed against its owner inasmuch as this act destroys the secret. With this wrongful act a cause of action accrues to its owner to recover for the total past and prospective value of that secret, or, at the very least this cause of action must be said to accrue to the owner of the former secret at the time that he learns of its wrongful destruction.

After the tortious destruction of the trade secret its former owner no longer has any subsisting right against the violation of which the law can protect him. Therefore, no further causes of action can accrue as a result of uses of the formerly secret information after the secret has been destroyed by publication. In *Sachs* v. *Cluett, Peabody and Co.*, 265 App. Div. 497, 39 N.Y.S. 2d 853 (First Dept. 1943) *aff'd mem.* 291 N.Y. 772, 53 N.E. 2d 241 (1944) the expiration of the period defined by the statute of limitations following the wrongful taking and publication of a trade secret was held to bar any recovery, including that for uses made of the formerly secret information within the statutory period. The court observed:

> A continuing right may exist where there is an interference with but not destruction or conversion of property. [39 N.Y.S. 2d at 857]

This reasoning was explained with the following parable:

> If defendant hits plaintiff's horse repeatedly, plaintiff has a new cause of action upon each

> striking; but if defendant destroys plaintiff's horse, or takes it and claims it as his own, plaintiff's right accrues immediately and he must sue within the period of limitation measured from that date—or never. [39 N.Y.S. 2d at 857]

Tortiously acquiring knowledge of another's trade secret and using this secret in competition with the owner in such fashion as not to publish the secret is admittedly analogous to striking a blow at his horse. Each time a blow is struck, or each time the secret information is covertly used, a new cause of action for damages accrues to the owner. Except for the wrongdoer's knowledge of it, the secret remains intact and the court can fashion remedies against the wrongdoer which will restore the secret at full value to its owner.

When the tortious acquirer of the secret publishes it, however, he has in effect killed the horse and no order of the court can restore the secret to its former owner any more than it could bring the dead horse back to life. If the former owner does not bring his action to recover for the total value of the former secret or of the dead horse within the period permitted by the statute of limitations, he is barred from all recovery.

One of the most widely quoted statements as to the nature of the right in trade secrets which the law will protect is that made by Chief Justice William Howard Taft (when he was on the lower bench) in *Cincinnati Bell Foundry Co.* v. *Dodds,* 19 Weekly Law Bulletin 84 (Ohio 1887):

> The property in a secret process is the power to make use of it to the exclusion of the world. If the world knows the process then the property

> disappears. There can be no property in a process and no right of protection if knowledge of it is common to the world.

A more modern view of this right, expressed in RESTATEMENT, TORTS § 757 (1939) Comment a, (this section with comments is set out in its entirety herein in Appendix F.) avoids calling this right a property right but also stresses that the secret status of the information is the subject of legal protection against one who acquires it by unlawful means:

> The protection afforded by the rule stated in this Section is in some respects greater and in some respects less than that afforded by the patent law. It is greater in that it is not limited to a fixed number of years and does not require novelty and invention as in the case of patents (see Comment b). It is less in that *secrecy of the process* and impropriety in the method of procuring the secret *are requisite* here but not in the case of patents. [Emphasis added.]

The applicable portion of the black letter rule of this Section is:

> One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other *if*
>
> (a) *he discovered the secret by improper means,* . . . [Emphasis added.]

The only proper inference to be drawn from this proposition on which the authorities so uniformly agree, namely that the protectable interest which a trade secret owner enjoys is the maintenance of the status of secrecy, is that no protectable interest survives the termination of the secret status. Therefore, the exclusive remedy for the tortious acquisition of a

trade secret and its wrongful destruction by the tort-feasor's general publication must be an action to recover from the tort-feasor for the entire value of the secret. This is so regardless of whether the tort-feasor has used the secret and whether such use is before or after the destruction. It works no untoward hardship upon the victim of this wrongful appropriation to require of him, as of the victims of all other tortious acts, to bring his action to recover for this wrong within the period defined by the statute of limitations from the time of the occurrence of that act.[1]

It is important in this context to distinguish the legal status of members of the general public who may engage in purely tortious conduct with respect to another's trade secret from the special legal status of those who have removed themselves from the general public by entering into a contractual relationship, either express or implied, with the trade secret owner. The tort-feasor is answerable for his conduct in acquiring the secret by improper means in an action brought within the appropriate statutory period after completion of the tort.

One liable to another under contract, however, does not learn of the secret by unlawful appropriation. He receives knowledge of the secret lawfully from its owner under the terms of a contract, and is therefore bound by all of the contractual duties which he assumes. These duties generally include keeping the secret in confidence and compensating the owner for

[1] It will be noted that plaintiff has pleaded (Complaint, paragraph 3, Appendix A) that he has obtained a patent on the trade secret involved herein. Thus the rule contended for herein has less impact upon plaintiff in this action than upon one who relies solely upon his rights under the law of trade secrets.

its use. He is answerable for each breach of his contractual duties which has occurred within the statutory period preceding the bringing of the action, and his liability for use of the secret may well survive the publication of the secret if he has agreed to do so in consideration for being made privy to the secret. The subsisting right upon which the owner of the trade secret relies in such a case is his right under the contract (which may well survive publication of the secret) rather than upon his right to maintain the secret status of his information (which, as has been said, is irresurrectably destroyed by publication).

The "Fraud Cases" Exception to the General Application of Statutes of Limitations

The only exception recognized in the law to the general rule as to the operation of the statute of limitations on actions to recover for tortious acts is where the very nature of the wrongful act may serve to conceal from the victim that a wrong is being perpetrated upon him. Such a situation is not uncommon in fraud cases. However, the only modification to the general operation of the statute of limitations which the law makes in such cases is to hold that the cause of action accrues (and therefore that the statutory period begins to run) when the victim of the wrongdoing discovers the wrong. No greater exception to the general rule would seem necessary to protect trade secret owners from covert invasions of their rights.

Plaintiff has admitted gaining actual knowledge of the alleged misappropriation from him of the secret and of its publication more than three years before the bringing of his action. Thus, plaintiff admits to letting the statutory period following his learning of all of the operative facts of the alleged tort perpetrated upon him expire before bringing this action.

The Remedy Created by the Court of Appeals in This Case

The Court of Appeals has taken the position that permitting one who misappropriates and publishes a trade secret, after the expiration of the statutory period from these wrongful acts, to use without incurring liability thereby the formerly secret information would be permitting him to "baptize" his wrongful action in misappropriating the secret by the second wrongful action of publishing it. This position totally ignores the fact that, far from being a "baptism", the act of publication is a tort calling down upon the wrongdoer the wrath of an action to recover for the total value of the secret. The former owner of the secret is only required, at least insofar as he seeks redress from temporal authority, to bring this action in timely fashion. There is no basis in logic, and no analogous situation in any area of the law which would justify imposing eternal damnation upon the former wrongdoer in the form of a perpetual liability for use of the information formerly embraced by the trade secret. Under the rule pronounced by the Court of Appeals in this case defendant remains subject to liability for any use which he may make of this information, even one hundred years from now. Thus he must refrain from competing not only with plaintiff who allegedly originated this information, but also with the rest of the public who clearly now enjoy the right to make full use of this information subject only to plaintiff's patent right.

If such liability exists, what is its extent? What measure of damages is to be applied to any post-publication use of the formerly secret information which plaintiff can prove defendant to have made? His right to recover for the total value of the secret

as a result of its wrongful destruction by publication is barred by the statute of limitations. Is that right of action to be barred only to permit the recovery which plaintiff could have gotten under it had he brought it in timely fashion to survive by allowing him to recover its value in actions for post-publication uses of the information?[2]

It is to be emphasized that, under the rationale of the Court of Appeals, actions to recover for post-publication uses made of the formerly secret information by those privy to its wrongful publication would seem to lie even where the former owner *had* brought a timely action to recover for the total value of the secret after its publication. For the wrongdoer in such a situation is as much the holder of an ill-gotten gain as the wrongdoer in the instant case, and "the passage of time or publication to the rest of the world should not serve to cleanse their hands" any more than it should here. Or is the rule to be that where a plaintiff, after his secret has been destroyed by wrongful publication, brings a timely action to recover for the total value of the secret this recovery will be his full compensation, but where he fails to bring such an action in timely fashion the liability defined in this case by the Court of Appeals shall subsist and permit him to make his recovery by way of damages for post-publication uses of the formerly secret information? The operation of the law can not be enhanced by circumventing the policy served by the statute of limitations with the creation of special causes of action solely

[2] In view of plaintiff's exclusive right for a limited time under his patent and his perpetual exclusive right against defendant as created by the Court of Appeals, plaintiff would appear to have an opportunity for multiple recovery for a single use by defendant.

for the purpose of compensating those who have permitted the passage of time to bar their regularly recognized remedies.

The Court of Appeals' Reliance Upon the International News Service Case

The Court of Appeals expressly pointed out that it had found no dispositive precedent for the novel cause of action which it fashioned in order to reverse the summary judgment for defendant entered by the District Court. For a prior expression of the public policy which the Court of Appeals sought to serve, it refers us to *International News Service* v. *Associated Press,* 248 U.S. 215 (1918).

A consideration of the *International News Service* case, however, reveals a number of crucial distinctions between it and the instant case. First of all, the activity which the plaintiff there sought to enjoin was future misappropriations of his news by the defendant, not the further use of material already wrongfully taken. Certainly the case did not involve the use of material over three years after (or more than the statutory period after) it had been published.

Secondly, the plaintiff in *International News Service* sought a remedy which would place the defendant on the same footing as plaintiff's other competitors in the news distribution field. It sought (and obtained) an order requiring the defendant to expend an effort comparable to that of its competitors in order to obtain *in the future* the news which it intended to furnish to its customers. Thus it prevented the reaping of "the harvest of those who have not sown." In this case, on the other hand, plaintiff seeks relief which would disable the defendant from, or at least place him at a serious disadvantage in, competing with the other

members of his trade in the use of publicly available information.[8]

Thirdly, the rule of *International News Service* was fashioned for a very special circumstance which could not be more remote from the one at bar. The plaintiff in *International News Service* dealt in a commodity the sole value of which lay in its prompt publication. The sole value in a trade secret, on the other hand, lies in its owner's ability to keep it secret. It would be a complete contradiction of the nature of trade secret protection to suggest that exclusive rights to a trade secret can survive its publication.

In order to fashion the remedy granted in *International News Service,* this Court first had to establish that the plaintiff had an interest which survived his act of publishing his news:

> The contention that the news is abandoned to the public for all purposes when published in the first newspaper is untenable. Abandonment is a question of intent, and the entire organization of the Associated Press negatives such a purpose. The cost of the service would be prohibited if the reward were to be so limited. . . . Their effect is that publication by each member must be deemed not by any means an abandonment of the news to the world for any and all purposes, but *a publication for limited purposes.* [248 U.S. at 241-42, Emphasis added.]

Having found the publication which preceded the adverse use complained of to be a limited one, i.e. one

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[8] Subject to plaintiff's patent right which operates against all competitors alike for a limited time. Upon the expiration of that time, however, plaintiff will continue to enjoy a perpetual exclusive right against defendant. *Contra, Brulotte* v. *Thys Co.,* 279 U.S. 29 (1964), *Scott Paper Co.* v. *Marcalus Mfg. Co.,* 326 U.S. 249 (1945).

which did not destroy plaintiff's subsisting rights therein, this Court was then in a position to grant a remedy to protect those subsisting rights. Whatever the propriety of the majority's finding that the publication in *International News Service* was but a limited one, there can be no question but that the tortious publication which plaintiff admits to have occurred (in the instant case) was a general one, irrevocably ending all of plaintiff's rights to the published material.

The fact that the rule laid down in *International News Service* is a special one, applicable only in closely analogous fact situations, has long been recognized. Thus where one sought to prevent pirates of silk designs from reaping where they had not sown, Judge L. Hand in *Cheney Bros.* v. *Doris Silk Corp.*, 35 F.2d 279, 280 (2d Cir. 1929) *cert. denied* 281 U.S. 728 (1930) stated:

> Of the cases on which the plaintiff relies, the chief is International News Service v. Associated Press, 248 U.S. 215, 39 S. Ct. 68, 63 L. Ed. 211, 2 A.L.R. 293. Although that concerned another subject-matter—printed news dispatches—we agree that, if it meant to lay down a general doctrine, it would cover this case; at least, the language of the majority opinion goes so far. We do not believe that it did. While it is of course true that law ordinarily speaks in general terms, there are cases where the occasion is at once the justification for, and the limit of, what is decided. This appears to us such an instance; we think that no more was covered than situations substantially similar to those then at bar. The difficulties of understanding it otherwise are insuperable. We are to suppose that the court meant to create a sort of common-law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter.

This distinction drawn by the Second Circuit has been recognized by this Court in *Reichenfelder* v. *Quinn*, 287 U.S. 315, 319 (1932):

> Beyond the traditional boundaries of the common law, only some imperative justification in policy will lead the courts to recognize in old values new property rights. Compare *International News Service* v. *Associated Press* . . . with *Cheney Bros.* v. *Doris Silk Corp.* . . . .

Taking *International News Service* as the basis for the creation of a permanent liability for use of information which was once embraced by a trade secret but which has since entered the public domain (subject to the patent right) represents a very sharp departure from the construction which *International News Service* has uniformly received since 1918 and is an innovation of very questionable desirability in the law.

The Court of Appeals' Decision Conflicts With the Established Maxims of Equity

Reversal of the summary judgment for defendant appears to place plaintiff in a position to recover on his prayer for a perpetual injunction against plaintiff's use of the subject matter of the former trade secret. As has been pointed out herein, the one whose trade secret is misappropriated from him and destroyed by general publication has an adequate remedy at law in the form of money damages for the total value of the secret, provided only that he pursues it seasonably. Furthermore, inasmuch as the rest of the world already has access to this formerly secret information, further use of it by defendant does not pose the threat of irreparable injury to the plaintiff by terminating the secret status of that information. Also the rest of the world is now free to compete with plaintiff in the use of this information so that it can-

not be said that plaintiff would be irreparably injured by defendant's competition with him in the use of this information. Thus if there is any liability for the use of this now published information, it is clearly such liability as for which there is an adequate legal remedy in the form of damages. The issuance of an injunction in such a situation constitutes the use of the injunctive powers of a court solely for the purpose of punishing a wrongdoer—a use clearly contrary to the generally accepted principles of equity.

Yet this misapplication of the principles of equity is no less glaring than the underlying reason expressed by the Court of Appeals for reversing this judgment, namely to avoid permitting the passage of time or publication to the rest of the world to serve to cleanse defendant's hands. The doctrine of unclean hands is a longstanding defense against one who seeks equitable relief. That is, a condition precedent to obtaining the forms of relief which only equity can provide is that the party seeking this relief have "clean hands" with regard to the transaction at issue. It is a requirement made of plaintiffs. It is not proper to fashion extraordinary sanctions to be imposed upon defendant, as the Court of Appeals has here done, because he has unclean hands.

SUMMARY

The Court of Appeals has, without precedent therefor, fashioned a form of liability in trade secret cases under which the user of any published information is forever liable to an action by one who would seek to establish that the information once constituted his trade secret and was tortiously acquired from him by the user.

This holding stems from a balancing by the court of the policy underlying the statute of limitations with

the policy of preventing tort-feasors from benefitting from their wrongdoing in a fashion which badly undervalues the former and results in reducing competition.

As justification for this departure, the Court of Appeals relies upon this Court's decision in *International News Service* even though that case is totally inapposite to the instant one and even though such an interpretation of that case is widely at variance to the interpretation which the other circuits have given to the case since it was decided in 1918.

This extraordinary form of liability is totally unnecessary, inasmuch as the right to bring a timely action for the total value of a trade secret after its tortious publication is a fully adequate remedy at law for the former owner of the trade secret. The timeliness of such an action is measured by the statutory period following the wrongful publication. Should the former owner be unaware of the wrong committed against him, he certainly requires no greater protection against the operation of the statute of limitations than that which must suffice the victim of a covert fraud, namely to initiate the running of the statutory period at the time of plaintiff's discovery of the wrong.

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APPENDIX A

Complaint for Damages and Injunction

1. Plaintiff is a corporation organized under the laws of Maryland.

2. Defendant United States Rubber Company is a corporation organized under the laws of the State of New Jersey, and doing business in the District of Columbia.

3. Prior to 1958, Harold G. Quase had developed and was the owner of certain systems, methods, technical know-how, and inventions relating to an underwater storage system for strategic materials, solid, liquid or gaseous, which were subsequently patented under applications filed in his name on January 12, 1959, and granted December 17, 1963.

4. During various times beginning in 1958 defendant wrongfully appropriated and utilized these systems, methods, technical know-how, and inventions, including use thereof in connection with the development of the fuel cache under Office of Naval Research Contract Nonr 2957(00). As disclosed by the defendant's report to the Government pursuant to the aforesaid Office of Naval Research contract, the defendant, as prime contractor, and Hanna Construction Company of Houston, Texas, its subcontractor, wrongfully appropriated and used the technical know-how or trade secrets of the plaintiff and the plaintiff's assignor with knowledge that the technical know-how or trade secrets were and continued to be the property of plaintiff or plaintiff's assignor. Thereafter defendant and Hanna Construction Company published and advertised to the world that the technical know-how or trade secrets thus wrongfully acquired had been conceived and/or developed by them, thereby willfully appropriating the valuable property rights of the plaintiff and plaintiff's assignor to the exclusive benefit of defendant and Hanna Construction Company.

5. On or about June, 1960 Harold G. Quase assigned all of his rights in or arising out of said systems, methods, technical know-how, and inventions, including said patents, to plaintiff, Underwater Storage, Inc., and including any rights, claims, and causes of action that he then had arising out of the aforesaid actions of defendant.

6. Defendant has failed and refused to recognize the rights of plaintiff, though requested so to do.

7. Plaintiff has been damaged by reason of the foregoing in the sum of $5,000,000.

WHEREFORE, plaintiff prays for (1) judgment against defendant for the appropriation and utilization of said systems, methods, technical know-how, and inventions in the amount of $5,000,000, (2) a declaration that plaintiff is the owner of the aforesaid systems, methods and inventions, and (3) an injunction against further appropriation or utilization thereof by defendant.

ROBERT E. SHER
MONROE OPPENHEIMER
HAROLD O. LOVRE
EDWARD G. LITTEL
Attorneys for Plaintiff
1026 Woodward Building
Washington 5, D. C.

APPENDIX B

Answer to Complaint

1. Defendant admits the allegation of paragraph 1 of the Complaint.

2. Defendant admits the allegation of paragraph 2 of the Complaint.

3. On the basis of testimony given by Harold G. Quase upon oral deposition on April 22, 1964, defendant denies the allegation of paragraph 3 that prior to 1958 Harold G. Quase had developed and was the owner of certain systems, methods, technical know-how, and inventions relating to an underwater storage system. The defendant admits that Harold G. Quase filed a United States patent application in his name on January 12, 1959 upon which a patent was issued to him on December 17, 1963, but denies that the patent was validly issued and denies that it relates to systems, methods, technical know-how, and inventions developed and owned by Harold G. Quase prior to 1958.

4. Defendant denies that at any time it wrongfully appropriated and utilized systems, methods, technical know-how, and inventions developed by Harold G. Quase. Defendant admits that it was a party to an agreement with the United States Government identified as Office of Naval Research Contract Nonr 2957(00) entitled Development of a 50,000 Gallon Submersible Fuel Cache, and that pursuant to this contract made a report to the Government dated December, 1960. The defendant denies, however, that it or Hanna Construction Company wrongfully appropriated and used technical know-how or trade secrets of the plaintiff and the plaintiff's assignor, and denies that any publications or advertisements by defendant and Hanna Construction Company included or referred to any technical know-how or trade secrets wrongfully acquired.

5. The defendant has no knowledge concerning assignments made by Harold G. Quase to plaintiff Underwater

Storage, Inc., and therefore denies the allegation made in paragraph 5.

6. With respect to the allegation made in paragraph 6 of the Complaint, the defendant admits that it has asserted consistently that the plaintiff has no grounds of complaint against the defendant.

7. The allegation of paragraph 7 is denied.

8. The alleged right of action set forth in the Complaint did not accrue within three (3) years next before the commencement of this action.

9. The Complaint fails to state a claim against defendant upon which relief can be granted.

WHEREFORE, the defendant demands that the Complaint be dismissed and that the Court award to defendant its costs and attorneys fees.

/s/ ROBERT F. CONRAD

815 Fifteenth Street, N.W.
Washington, D. C. 20005

Attorneys for Defendant

Of Counsel:

KURT SHAFFERT
ARTHUR, DRY, KALISH, TAYLOR & WOOD

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New York, N. Y.

[Proof of Service dated June 16, 1964]

APPENDIX C

Statute of Limitations
77 Stat. 510 (1963)
District of Columbia Code § 12-301

Except as otherwise specifically provided by law actions for the following purposes may not be brought after the expiration of the period specified below from the time the right to maintain the action accrues:

(1) for the recovery of lands, tenements, or hereditaments—15 years;

(2) for the recovery of personal property or damages for its unlawful detention—3 years;

(3) for the recovery of damages for an injury to real or personal property—3 years;

(4) for libel, slander, assault, battery, mayhem, wounding, malicious prosecution, false arrest or false imprisonment—1 year;

(5) for a statutory penalty or forfeiture—1 year;

(6) on an executor's or administrators's bond—5 years; on any other bond or single bill, covenant, or other instrument under seal—12 years;

(7) on a simple contract, express or implied—3 years;

(8) for which a limitation is not otherwise specially prescribed—3 years.

APPENDIX D

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civil Action No. 751–64

UNDERWATER STORAGE, INC., *Plaintiff*,

v.

UNITED STATES RUBBER COMPANY, *Defendant*.

Memorandum Opinion

This cause came before the Court on defendant's motion for summary judgment or in the alternative for judgment on the pleadings.

The complaint, seeking money damages and injunctive relief, was filed March 27, 1964. It alleges that at various times from 1958 forward the defendant wrongfully appropriated and used as his own certain trade secrets belonging to the plaintiff and its assignor.

The pertinent facts are that one Harold G. Quase developed an underwater fuel storage system sometime prior to 1958. In January of 1959 he filed for patents.* Subsequently the defendant United States Rubber Company entered into a Naval Research Contract (NONR 2957(00)) to develop an underwater fuel storage system for the Navy and rendered a report to the Navy under date of December, 1960 setting forth its findings. The plaintiff was made aware of the defendant's report and its contents very shortly after it was rendered to the Navy.

Plaintiff claims that the report rendered by the defendants to the Navy reveals a clear misappropriation of the

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* December 17, 1963 the Patent Office issued letters patent to Quase on his system and such patents were subsequently assigned to the plaintiff corporation.

plaintiff's ideas by the defendants and that the defendants have by subsequent publications used and claimed credit for the development of the plaintiff's ideas.

The defendant pleads the three year Statute of Limitations. If that statute is applicable it is not necessary for the Court to determine the validity of the misappropriation charge since the action would be barred in any event.

The sole issue accordingly is whether a misappropriation and possible use of a trade secret constitutes a continuing tort or whether the tort is complete at the time of the original taking of the secret.

The authorities make it clear that the tort lies in the wrongful acquisition as such and once that acquisition has been completed the tort does not continue.

Sachs v. *Cluett, Peabody & Co., Inc.*, 265 App. Div. (N.Y.) 497 (1943); see *Aktiebolaget Bofors* v. *U. S.*, 93 F. Supp. 131 (1950), affirmed 194 F. 2d 145, 90 U.S. App. D.C. 92 (1951); A.L.I. Restatement of Torts, Sec. 757.

The misappropriation alleged in this case dates back to and beyond the rendition of the report by the defendant to the Navy—more than 3 years prior to the filing of the complaint. The statute of limitations accordingly bars the action.

Accordingly defendant's motion for summary judgment shall be granted.

H. F. Corcoran
Judge

November 2nd, 1965

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 19,949

UNDERWATER STORAGE, INC., APPELLANT

v.

UNITED STATES RUBBER COMPANY, APPELLEE

On Appeal from Order and Judgment of the United States District Court for the District of Columbia

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Decided September 21, 1966

Mr. Robert E. Sher with whom *Mr. Abraham J. Harris* was on the brief, for appellant.

Mr. Robert F. Conrad, with whom *Mr. Kurt Shaffert* was on the brief, for appellee.

Before: EDGERTON, *Senior Circuit Judge,* FAHY and TAMM, *Circuit Judges.*

TAMM, *Circuit Judge:* This is a trade secret case. Appellant's complaint contends that prior to 1958 one Harold G. Quase developed an underwater system for the storage of strategic materials; that on January 12, 1959 he filed an application for a patent on this system, which patent was granted on December 17, 1963; that during various times beginning in 1958 the appellee wrongfully appropriated this system and used it as its own. Spe-

cifically the complaint alleged that appellee had wrongfully appropriated and utilized "certain systems, methods, technical know-how and inventions relating to an underwater storage system" developed by Dr. Quase. The complaint further alleged that appellee entered into a contract to develop an underwater fuel storage system for the Navy and, in December of 1960, rendered a report to the Navy setting forth its experience and findings in connection with the project. Thereafter appellee and its subcontractor allegedly published and advertised that the technical know-how or trade secrets (which appellant alleges were wrongfully acquired from him) had been conceived and/or developed by them. The complaint further alleged that in June of 1960 Dr. Quase assigned to appellant, Underwater Storage, Inc., all of his rights in or arising out of the system, including any rights, claims or causes of action that he then had arising out of the aforesaid actions of appellee. The complaint also rather vaguely alleges continuing wrongful appropriation and utilization of the systems "during various times beginning in 1958."

Appellee's answer was, in effect, a general denial of the allegations of the complaint; in addition, the appellee raised the statute of limitations of three years as a complete bar to any of appellant's claims.

Appellant filed its complaint on March 27, 1964. On April 22, 1964, appellee took the deposition of Dr. Quase. In that deposition Dr. Quase stated that a United States Navy publication issued in December of 1960 entitled "Development of a 50,000 Gallon Submersible Fuel Cache," (which describes the work performed by appellee under an Office of Naval Research contract), disclosed the information allegedly appropriated from Dr. Quase. Dr. Quase further testified that he obtained a copy of this report in January or February, 1961, and that this report convinced him, more than three years before this action was

brought, that defendant had appropriated and used his trade secrets in the performance of the contract. Dr. Quase further stated that, while he did not know how appellee obtained his secrets, the only way in which appellee could have obtained them was through a third party who, in turn, might have been a person or persons in the Office of Naval Research of the United States Navy to whom Dr. Quase alleges he entrusted this information in confidence.

Based upon this information, appellee moved for summary judgment pursuant to Rule 56, FED. R. CIV. PRO., alleging that appellant's claims were barred by the three-year statute of limitations on tort actions. In a memorandum opinion, the District Court sustained appellee's motion finding that "the misappropriation in this case dates back to and beyond the rendition of the report by the defendant to the Navy—more than 3 years prior to the filing of the complaint." In deciding this question, the District Court had characterized the issue in the case in these words:

> "The sole issue accordingly is whether a misappropriation and possible use of a trade secret constitutes a continuing tort or whether the tort is complete at the time of the original taking of the secret."

The District Court answered the issue with the statement that

> "the authorities make it clear that the tort lies in the wrongful acquisition as such and once that acquisition has been completed the tort does not continue. . . . *Sachs* v. *Cluett, Peabody & Co., Inc.*, 265 App. Div. (N.Y.) 497 (1943); see *Aktiebolaget Bofors* v. *U.S.*, 93 F. Supp. 131 (1950), *aff'd* 194 F.2d 145, 90 U.S. App. D.C. 92 (1951); A.L.I. Restatement of Torts, Sec. 757."

Appellant attacks the District Court determination in this court, alleging that the misappropriation and con-

tinuing use of a trade secret is a continuing tort with respect to which the statute of limitations is not a bar, at least as to the statutory period prior to the commencement of the action. It further alleges that the fact that the initial misappropriation may have occurred more than three years prior to commencement of the action is immaterial. Each use of the trade secret thereafter by appellee, appellant contends, constituted a new wrong that started the limitations period running anew. It alleges that the rule it argues for is found in the law of contracts and in the law of torts, in trade marks and antitrust, and in cases of personal injuries and nuisances resulting from continuing torts, and that there is no good reason for treating trade secret cases any differently from these other classes of cases.

Appellee, on the other hand, argues that because of the peculiar nature of the tort of misappropriation of a trade secret, it is by its very nature a tort completed at the time of misappropriation. This because, once the secret has been misappropriated, it is no longer in fact a trade "secret" since it has been published to persons not privy to the secret and therefore (theoretically at least) the whole world has access to it. Recovery for the misappropriation of a trade secret is based upon the use of improper means to *obtain* the secret, not upon the *use* of any particular information. Since any given information can only be wrongfully acquired once from its owner, misappropriation of a trade secret cannot be a continuing tort. Finally, appellee vigorously contends that "if it were held that the use of the published information constituted a continuing tort, the statute of limitations would never run, and an action would lie one hundred years for appellee's use of information which has long since entered the public domain."

II.

Summary judgment is properly granted when the record establishes that there is no genuine issue as to any material

fact concerning a dispositive issue in a case and that the moving party is entitled to judgment as a matter of law. Rule 56(c) FED. R. CIV. PRO. The general rule that guides the District Court in the disposition of motions for summary judgment is that the moving party has the burden of showing the absence of any genuine issues as to all the material facts applicable under his theory of law. *Evers* v. *Buxbaum,* 102 U.S. App. D.C. 334, 253 F.2d 356 (1958). Moreover,

> "one who moves for summary judgment has the burden of demonstrating clearly the absence of any genuine issue of fact, and that any doubt as to the existence of such an issue is resolved against the movant. The courts are quite critical of the papers presented by the moving party, but not of the opposing papers. *Wittlin* v. *Giacalone,* 81 U.S. App. D.C. 20, 21, 154 F.2d 20, 21 (1946). See 6 Moore's Federal Prac. (2d Ed.), pp. 2123, 2124, 2125-26.

While it is true that the ultimate question presented for our consideration and determination in this case is one of law, the foregoing principles have been set down because they are necessary predicates to several assumptions which must be made in this case before the question of law is reached. The first of these assumptions is that appellant's claim of indirect misappropriation of wrongdoing *vis-a-vis* appellee is true; the second is that there have in fact been instances *post* March 27, 1961 (three years prior to filing of the complaint) when appellee has used the wrongfully appropriated trade secret. We do not consider either of these points established on the record, but for the purposes of considering this motion we must assume them to be true.

We have considered at great length the determination reached by the District Court in this difficult case and have concluded that the issue was not properly resolved. We are of the opinion that, although it is an extremely close

question, the misappropriation and continuing use of a trade secret does constitute a continuing tort and that an injured party can recover for use during the statutory period preceding the filing of the suit, assuming, of course, that there has been use during that period.

We have considered the authorities cited by the District Court in support of its decision and have concluded that they are at best ambiguous with respect to the issue posed in this case and far from dispositive of the case itself. The first authority relied upon is *Sachs* v. *Cluett, Peabody & Co., Inc.*, 265 App. Div. (N.Y.) 497, 39 N.Y.S. 2d 853 (1943), a case also relied upon by appellee here. That case concerned the alleged misappropriation of a secret process. Although the court discussed the tort theory of breach of a confidential relationship and the nature of the property rights protected, we do not read the case as establishing that the misappropriation and continuing use of a trade secret does not constitute a continuing tort.

We have also considered in detail the three opinions in the *Aktiebolaget Bofors* v. *United States* cases, 93 F. Supp. 131 (1950), *aff'd*, 90 U.S. App. D.C. 92, 194 F.2d 145 (1951), 139 Ct. Cl. 642, 153 F. Supp. 397. While it is true that there is dictum in our decision in this case to the effect that the "tort [misappropriation of a trade secret] lies in the wrongful acquisition," such was stated in the course of determining that the unauthorized use alleged there could only have been in violation of a contract and not as a tort by the United States and that jurisdiction would therefore lie only in the Court of Claims. The opinion does not attempt to resolve the question posed in this case. (In point of fact, the three *Bofors* cases read in conjunction actually provide analogical support for appellant's contentions since the Court of Claims held there that even though the original appropriation of the secret occurred more than ten years prior to the filing of the action, the plaintiff could recover for damages it suffered

during the six-year statutory period of limitation prior to the filing of the petition in the Court of Claims.)

The final authority relied upon in the District Court opinion and by appellee here is Section 757 of the Restatement of Torts (1939 ed.). Our examination of the Restatement leads us to a conclusion contrary to that reached below. We do not read the pertinent section as addressing itself to the question of whether subsequent use of a misappropriated trade secret constitutes a continuing tort. What little light the Restatement sheds on the question considered here reflects more in favor of appellant's position than that of the appellee's. Subsection c of Section 757, entitled *Disclosure or Use* states that "the rule stated in this Section protects the interest in a trade secret against both disclosure and *adverse use.*" (Emphasis added.) Appellant is, in fact, alleging adverse use of a continuing nature and we do not read the Restatement as erecting any bar to recovery for such.

After a thorough review of the authorities cited by the District Court and the parties in this court, and after an in-depth search of our own, we confess that we have not been able to unearth dispositive precedent on the point in issue. It is therefore necessary in the resolution of the question to examine the nature of the tort with which we are concerned, treatment of the issue in analogous contexts, and the policy reasons underlying the competing positions of the parties.

The nature of a trade secret is such that, so long as it remain a secret, it is valuable property to its possessor who can exploit it commercially to his own advantage. Once the secret is published to the "whole world," however, it loses its protected status and becomes available to others for use and copying without fear of legal reprisal from the original possessor. Appellee argues that because the secret is destroyed upon publication, there can be no recovery by the original possessor against subsequent

users since whatever exclusive rights the original possessor had in the secret *qua* secret cease to exist upon publication. Those using the secret thereafter cannot be sued for invasion of the rights of the possessor of the secret because there was no secret left to be invaded. Thus the idea of a continuing tort for use of a secret after publication is said to be alien to a trade secret case, and appellant is therefore barred to maintain this action since the alleged misappropriation (by appellant's own admission) took place more than three years prior to the institution of this action.

Insofar as appellee's argument extends to parties who are not misappropriators in the first instance, or possessors of the secret by virture of learning it from the misappropriator(s) with knowledge that it was stolen, we believe this argument to have merit. However, the fault in appellee's reasoning lies in its applying as a test to its own actions the rights of appellant as against the public generally (*id est,* those who have acquired the secret after publication), instead of considering the rule which should obtain between the original possessor and the misappropriator or those who have received the secret from the misappropriator with knowledge of the wrongful appropriation. We do not believe that a misappropriator or his privies can "baptize" their wrongful actions by general publication of the secret. Nor do we believe that the fact of the destruction of the secret prevents the continued use by the misappropriator or his privies from being a continuing wrong *vis-a-vis* the original possessor of the secret. It is the continuing use of another's secret, wrongfully obtained, or used after knowledge that it has been wrongfully obtained, that makes the tort a continuing one. Once the secret is out, the rest of the world may well have a right to copy it at will; but this should not protect the misappropriator or his privies. Their gain is ill-gotten and the passage of time or publication to the rest of the world should not serve to cleanse their hands. See

International News Serv. v. *Associated Press,* 248 U.S. 215, 239 (1918).

Appellant has cited in support of its argument numerous cases from other areas of law holding in general that the statute of limitations begins to run anew with each new invasion of a subsisting right of another. It would serve no purpose for us to specifically analyze these cases in detail here—suffice it to say that we agree with appellant that, with respect to their specific subject areas of the law, they stand for the proposition that a cause of action for each invasion of the plaintiff's interest arose at the time of that invasion and that applicable statute of limitations ran from that time and not from the time of the first invasion. These cases provide strong analogical support for the rule argued for in the instant case by appellant and appellee has not persuaded us to the contrary.

Finally, we have examined the competing policy considerations urged by the parties and have concluded that the balance must be struck in favor of those argued for by appellant. We believe the rule should be that in trade secret cases where the secret has been misappropriated the wrongdoer and his privies are amenable to suit for any use of the secret so long as the use has occurred within the statutory period of limitations immediately preceding the bringing of the action.

For all of the foregoing reasons, the decision of the District Court is reversed. Appellee will, of course, still have available all of its defenses, including its argument that it developed the system independently of any knowledge of appellant's system and/or that there has been no use of the system during the statutory period extending backward in time three years prior to the institution of this action.

So ordered.

APPENDIX F

Restatement, Torts

§ 757. Liability for Disclosure or Use of Another's Trade Secret—General Principle.

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if

(a) he discovered the secret by improper means, or

(b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or

(c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or

(d) he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.

Comment:

a. Rationale. The privilege to compete with others (see § 708, vol. III) includes a privilege to adopt their business methods, ideas or processes of manufacture. Were it otherwise, the first person in the field with a new process or idea would have a monopoly which would tend to prevent competition. This privilege has some limitations, however. In the first place, in order to promote the progress of science and the useful arts, patent and copyright laws provide protection to the originator. The patent laws prohibit the witting or unwitting manufacture, sale or use by any person of a device, process or article which infringes a patent granted to another. The copyright laws prohibit the plagiarism of a work copyrighted by another. The protection afforded by both types of legislation is limited to a fixed number of years. Both types of legisla-

tion establish a monopoly for the purpose of encouraging invention and art. In the second place, the law of torts prohibits copying in a manner which creates in the market avoidable confusion of commercial source. The privilege to copy is not a privilege to palm off one's goods as those of another. Thus, when the physical appearance of one's goods has acquired in the market a significance as identifying the goods of which he is the commercial source, another may not copy that appearance if it is non-functional, and if it is functional, he may copy it only upon taking reasonable precaution to avoid confusion (see § 741, vol. III). The rule stated in this Section is a further limitation on the privilege to copy when the thing copied is a trade secret. This limitation is not imposed because of any difference in function or value between trade secrets and other devices or processes. A formula for a medicinal compound or a process of manufacture is equally effective in making its product when the formula or process is generally known as when it is secret. Its original discovery may require equal ingenuity and labor when it must necessarily be disclosed by the product which results from it as when it can be kept secret. Exclusion of others from the privilege of using it will give it the same value to the originator in the one case as in the other. Indeed, a patent monopoly is granted only upon full disclosure of the subject matter of the patent. The significant difference of fact between trade secrets and processes or devices which are not secret is that knowledge of the latter is available to the copier without the use of improper means to procure it, while knowledge of the former is ordinarily available to him only by the use of such means. It is the employment of improper means to procure the trade secret, rather than the mere copying or use, which is the basis of the liability under the rule stated in this Section.

There is considerable discussion in judicial opinions as to the basis of liability for the disclosure or use of another's trade secrets. Analogy is sometimes found in the

law of "literary property," copyright, patents, trademarks and unfair competition. The suggestion that one has a right to exclude others from the use of his trade secret because he has a right of property in the idea has been frequently advanced and rejected. The theory that has prevailed is that the protection is afforded only by a general duty of good faith and that the liability rests upon breach of this duty; that is, breach of contract, abuse of confidence or impropriety in the method of ascertaining the secret. Apart from breach of contract, abuse of confidence or impropriety in the means of procurement, trade secrets may be copied as freely as devices or processes which are not secret. One who discovers another's trade secret properly, as, for example, by inspection or analysis of the commercial product embodying the secret, or by independent invention, or by gift or purchase from the owner, is free to disclose it or use it in his own business without liability to the owner. As to the liability of one who procures the secret from a third person without notice of any impropriety in the third person's disclosure of it, see § 758. As to the procurement of information other than trade secrets, see § 759. For a definition of trade secrets, see Comment *b*.

The protection afforded by the rule stated in this Section is in some respects greater and in some respects less than that afforded by the patent law. It is greater in that it is not limited to a fixed number of years and does not require novelty and invention as in the case of patents (see Comment *b*). It is less in that secrecy of the process and impropriety in the method of procuring the secret are requisite here but not in the case of patents.

b. Definition of trade secret. A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a

chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from other secret information in a business (see § 759) in that it is not simply information as to single or ephemeral events in the conduct of the business, as, for example, the amount or other terms of a secret bid for a contract or the salary of certain employees, or the security investments made or contemplated, or the date fixed for the announcement of a new policy or for bringing out a new model or the like. A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article. It may, however, relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other concessions in a price list or catalogue, or a list of specialized customers, or a method of bookkeeping or other office management.

Secrecy. The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret. Substantially, a trade secret is known only in the particular business in which it is used. It is not requisite that only the proprietor of the business know it. He may, without losing his protection, communicate it to employees involved in its use. He may likewise communicate it to others pledged to secrecy. Others may also know of it independently, as, for example, when they have discovered the process or formula by independent invention and are keeping it secret. Nevertheless, a substantial element of secrecy must exist, so that, except by the use of improper means, there would be difficulty in acquiring the information. An exact definition of a trade secret is not possible. Some factors to be considered in determining whether given information is

one's trade secret are: (1) the extent to which the information is known outside of his business; (2) the extent to which it is known by employees and others involved in his business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

Novelty and prior art. A trade secret may be a device or process which is patentable; but it need not be that. It may be a device or process which is clearly anticipated in the prior art or one which is merely a mechanical improvement that a good mechanic can make. Novelty and invention are not requisite for a trade secret as they are for patentability. These requirements are essential to patentability because a patent protects against unlicensed use of the patented device or process even by one who discovers it properly through independent research. The patent monopoly is a reward to the inventor. But such is not the case with a trade secret. Its protection is not based on a policy of rewarding or otherwise encouraging the development of secret processes or devices. The protection is merely against breach of faith and reprehensible means of learning another's secret. For this limited protection it is not appropriate to require also the kind of novelty and invention which is a requisite of patentability. The nature of the secret is, however, an important factor in determining the kind of relief that is appropriate against one who is subject to liability under the rule stated in this Section. Thus, if the secret consists of a device or process which is a novel invention, one who acquires the secret wrongfully is ordinarily enjoined from further use of it and is required to account for the profits derived from his past use. If, on the other hand, the secret consists of mechanical improvements that a good mechanic can make without resort to the secret, the wrongdoer's liability may

be limited to damages, and an injunction against future use of the improvements made with the aid of the secret may be inappropriate.

Information not a trade secret. Although given information is not a trade secret, one who receives the information in a confidential relation or discovers it by improper means may be under some duty not to disclose or use that information. Because of the confidential relation or the impropriety of the means of discovery, he may be compelled to go to other sources for the information. As stated in Comment *a*, even the rule stated in this Section rests not upon a view of trade secrets as physical objects of property but rather upon abuse of confidence or impropriety in learning the secret. Such abuse or impropriety may exist also where the information is not a trade secret and may be equally a basis for liability. The rules relating to the liability for duties arising from confidential relationships generally are not within the scope of the Restatement of this Subject. As to the use of improper means to acquire information, see § 759.

c. Disclosure or use. One who has a trade secret may be harmed merely by the disclosure of his secret to others as well as by the use of his secret in competition with him. A mere disclosure enhances the possibilities of adverse use. The persons to whom the disclosure is made may or may not be liable under Clause (c) for the subsequent use (see also § 758). Since a trade secret is vendible and since its sale value depends in part upon its secrecy, a mere disclosure may reduce the vendibility or sale value of the secret. The rule stated in this Section protects the interest in a trade secret against both disclosure and adverse use.

The duties not to disclose and not to use another's trade secret are not, however, necessarily concomitant, though they are frequently found together. Thus, a former employee to whom the secret was communicated in the course of his employment may be under both duties (see Restate-

ment of Agency, §§ 395 and 396). On the other hand, a manufacturer who is permitted by the owner of the secret to use it in his manufacturing may be subject only to a duty not to disclose the secret to third persons. Or the manufacturer may be permitted to use the secret only in the manufacture of products for the owner, with a duty not to disclose the secret or use it in the manufacture of products on his own account or for others.

Modification or improvement of the secret by the actor. To subject a person to liability, under the rule stated in this Section, for the use of another's trade secret, there is no requirement that he use it in exactly the form in which he received it. He may be liable even if he uses it with modifications or improvements upon it effected by his own efforts. Differences in detail do not preclude liability if, substantially, the process used by the actor is derived from the other's secret in the manner stated in this Section. The liability is avoided only when the contribution by the other's secret is so slight that the actor's process can be said to be derived from other sources; although even in such a case the actor is still subject to liability for harm caused by his disclosure or possession of the secret, under the rules stated in §§ 757-759. The extent of the modifications or improvements made by the actor upon the other's secret may, however, affect the computation of damages or profits for which he is liable to the other.

d. Privilege. A privilege to disclose or use another's trade secret may arise from the other's consent or from other conduct on his part by which he is estopped from complaining. A privilege to disclose may also be given by the law, independently of the other's consent, in order to promote some public interest. Thus, a witness who is compelled by law to answer a question which calls for a disclosure of the secret is not liable for making the disclosure in his answer. Or the privilege may be given to protect an interest of the actor, as, for example, when disclosure may

be necessary to defend a charge of infringement. In order to protect trade secrets against disclosure in the course of litigation, testimony involving such disclosure is generally taken by the court privately rather than in public and the record of such testimony is appropriately safeguarded against public disclosure.

e. Remedies. One who has a right under the rule stated in this Section is entitled to a remedy or remedies appropriate under the circumstances. He may recover damages for past harm, or be granted an injunction against future harm by disclosure or adverse use, or be granted an accounting of the wrongdoer's profits, or have the physical things embodying the secret, such as designs, patterns and so forth, surrendered by the wrongdoer for destruction. Moreover, he may have two or more of these remedies in the same action if the court is competent to administer them. Defenses generally available in tort actions and actions for injunctive relief are also available here, insofar as they are applicable.

Comment on Clause (a):

f. Improper means of discovery. The discovery of another's trade secret by improper means subjects the actor to liability independently of the harm to the interest in the secret. Thus, if one uses physical force to take a secret formula from another's pocket, or breaks into another's office to steal the formula, his conduct is wrongful and subjects him to liability apart from the rule stated in this Section. Such conduct is also an improper means of procuring the secret under this rule. But means may be improper under this rule even though they do not cause any other harm than that to the interest in the trade secret. Examples of such means are fraudulent misrepresentations to induce disclosure, tapping of telephone wires, eavesdropping or other espionage. A complete catalogue of improper means is not possible. In general they are means which fall below the generally accepted standards

of commercial morality and reasonable conduct. See also, § 759, Comment *c*.

g. Actor's purpose. Liability under the rule stated in this Section is based not on the actor's purpose to discover another's trade secret but on the nature of the conduct by which the discovery is made. The actor is free to engage in any proper conduct for the very purpose of discovering the secret. So long as his conduct is proper, his purpose does not subject him to liability. Conversely, if his conduct is improper, he is subject to liability even though he engaged in the conduct for a purpose other than that of discovering the trade secret.

Illustrations:

1. A wishes to recover from B amorous letters sent to B by A's wife. Learning that the letters are in a safe in B's office, he breaks into the safe at night and removes a bundle of papers which he believes to be the desired letters. When he examines the bundle at his own office, he finds that it contains the secret formulas for the compounds which B markets. Fearing that a return of the papers might disclose his crime, he keeps them. Three months later he begins to manufacture compounds on the basis of the stolen formulas. A is liable to B under the rule stated in this Section.

2. A manufactures and sells a medicinal compound from a formula which is his trade secret. B wishes to manufacture and sell the same compound. He engages competent technicians to discover the formula. By scientific analysis of and experimentation with A's compound, the technicians do discover the formula. B then begins to manufacture and sell a compound made in accordance with the formula. B is not liable to A under the rule stated in this Section.

h. Improper means employed against third person. The rule stated in Clause (a) of this Section applies to im-

proper means in procuring the secret not only from the owner but also from any third person holding the secret under a duty to the owner not to disclose it to others. Thus, the rule applies to a theft of the secret from an employee of the owner or from a post office or a bank, or from any other person to whom the secret was entrusted in confidence. If the actor procures the secret by a voluntary disclosure by such third person in breach of his duty and the actor employs no improper means to cause the disclosure, he is not subject to liability under the rule stated in Clause (a), though he may be liable under the rule stated in Clause (c). But if the actor intentionally procures the third person to make a disclosure in breach of his duty, the actor may be liable under both rules; under the former because inducing one to commit a breach of duty is an improper means of procuring the secret; and under the latter because of the actor's knowledge of the breach.

i. Procuring third person to employ improper means. The rule stated in Clause (a) applies to the case in which the actor procures a third person to discover the secret by improper means, as when A hires B to steal a trade secret from C's safe. If, however, A does not authorize the use of improper means, he is subject to liability only under the rule stated in Clause (c).

Comment on Clause (b):

j. Breach of confidence. A breach of confidence under the rule stated in this Clause may also be a breach of contract which subjects the actor to liability under the rules stated in the Restatement of Contracts. But whether or not there is a breach of contract, the rule stated in this Section subjects the actor to liability if his disclosure or use of another's trade secret is a breach of the confidence reposed in him by the other in disclosing the secret to him. The chief example of a confidential relationship

under this rule is the relationship of principal and agent (see Restatement of Agency, §§ 395 and 396). Such is also the relationship between partners or other joint adventurers. But this confidence may exist also in other situations. For example, A has a trade secret which he wishes to sell with or without his business. B is a prospective purchaser. In the course of negotiations, A discloses the secret to B solely for the purpose of enabling him to appraise its value. Or, A requests a loan from B, a banker, for the purpose of aiding the manufacture of a product by A's secret process. In order to assure B about the soundness of the loan, A discloses the secret to him in confidence. In both cases B is under a duty not to disclose the secret or use it adversely to A. Again, this confidence may exist even when no business relation between A and B exists or is contemplated, as when A comes to B, his former teacher, for free advice which B is willing to give with respect to the secret and discloses the secret to him in confidence. But in all these cases A cannot impose a confidence on B without B's consent. If A discloses the secret to B despite B's protest that he does not wish to hold it in confidence and will not so hold it if it is disclosed, the confidence requisite for liability under the rule stated in Clause (b) does not arise. Likewise, the confidence does not arise if B has no notice of the confidential character of the disclosure. But no particular form of notice is required. The question is simply whether in the circumstances B knows or should know that the information is A's trade secret and that its disclosure is made in confidence. As to disclosure by mistake see Comment *o*.

Comment on Clause (c):

k. Limitations of Clause (c). This Clause applies only to the cases in which the actor has the stated notice when he first learns the secret. For the rules relating to cases in which he acquires the notice after he learned the secret,

see § 758. Again, Clause (c) deals primarily with the situations in which the actor does not knowingly procure the third person to use improper means or to violate his duty otherwise. But such cases are not excluded from this Clause, and the rules stated in both this Clause and Clause (a) may be applicable to them.

l. What is notice. One has notice of facts under the rule stated in this Section when he knows of them or when he should know of them (see Restatement of Trusts, § 297). He should know of them if, from the information which he has, a reasonable man would infer the facts in question, or if, under the circumstances, a reasonable man would be put on inquiry and an inquiry pursued with reasonable intelligence and diligence would disclose the facts. One may have notice of a fact because he has been given a notification of it. Under the rule stated in the Restatement of Agency, § 9, a person is given notification of a fact by another if the latter (a) informs him of the fact or of other facts from which he has reason to know or should know the fact, or (b) does an act which, under the rules applicable to the transaction, has the same effect on the legal relations of the parties as the acquisition of knowledge. Notification by the second method includes, for example, recordation, which is generally not applicable to the situation dealt with in this Section, and delivery of a letter to a person's office where it is subsequently lost without having been read by him (see Restatement of Agency, § 9, Comments *e-g* and § 11).

Illustrations:

3. A and B are competitors. A knows that B has a secret process for treating his goods which reduces his manufacturing costs by 7 per cent. C comes to A and offers to sell him B's secret. A does not know C and does not know how C discovered the secret. On these facts a finding that A has notice that C's disclosure is in breach of his duty is proper.

4. A and B are competitors. C is, to A's knowledge, a trusted employee of B. C comes to A and offers to sell him a process for treating his goods. A does not know that the process is B's trade secret but he does know that there are several trade secrets employed by his competitors and that the process offered by C is novel to A and is valuable for the businesses of both A and B. On these facts a finding that A has notice that the process is B's trade secret and that C is disclosing it in breach of duty is proper.

m. Notice of secrecy and of breach of duty. The actor is subject to liability under the rule stated in this Clause only if he has notice of both the fact that the information is secret and the fact that the disclosure by the third person is a breach of his duty. But frequently the two facts are mutually dependent and notice of the one is also notice of the other. Thus, if the actor knows that the information proffered to him by one person is the trade secret of another he is put on inquiry as to the former's authority to disclose the information (see Comment *l*, Illustrations 3 and 4).

n. Third person's breach of duty. The breach of duty by the third person under the rule stated in this Clause is a breach which subjects him to liability for disclosing the trade secret. His duty not to disclose may arise out of a contract made by him or it may be based on the rules stated in Clauses (a), (b) and (d) of this Section.

Illustrations:

5. A, who knows B's trade secret, makes a contract with B not to disclose it. Later A discloses the secret to C, who knows or should know of the contract. If C subsequently discloses or uses the secret, he is subject to liability to B under the rule stated in Clause (c).

6. A steals B's trade secret from B's safe and sells the secret to C, who has notice of the facts. If C subsequently discloses or uses the secret, he is subject to liability to B under the rule stated in Clause (c).

7. B communicates his trade secret to A in confidence under such circumstances that A is under a duty not to disclose or use the secret. A subsequently discloses the secret to C, who has notice of the facts. C later discloses or uses the secret. C is subject to liability to B under the rule stated in Clause (c).

8. A learns B's trade secret by reading a letter mistakenly delivered to him. A knows of the mistake and realizes that the information is B's trade secret. Later A discloses the secret to C, who has notice of the facts. C then discloses or uses the secret. C is subject to liability to B under the rule stated in Clause (c).

Comment on Clause (d):

o. Knowledge of secret acquired by mistake. In the situations covered by Clause (d), the actor need not be guilty of improper conduct in discovering the secret. If he makes the mistake, as, for example, in opening a letter not addressed to him, his mistake may be innocent or careless. Or the mistake may be made by another person, as, for example, in addressing the letter to him when someone else is intended. However the mistake is committed, if the actor has notice that the information is disclosed to him by mistake and that it is another's trade secret, good faith requires that he do not take advantage of the mistake and he is under a duty not to disclose or use the secret.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1966

No. 887

UNITED STATES RUBBER COMPANY, *Petitioner,*

v.

UNDERWATER STORAGE, INC.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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INDEX

	Page
Opinions Below	1
Jurisdiction	2
Question Presented	2
Statute Involved	2
Statement	2
Argument	4
Conclusion	10

CITATIONS

CASES:

Aktiebolaget Bofors v. United States, 93 F. Supp. 131, aff'd, 90 U.S. App. D.C. 92, 194 F. 2d 145; 139 Ct. Cl. 642, 153 F. Supp. 397	6, 8
American Construction Co. v. Jacksonville Railway, 148 U.S. 372	9
Baltimore & P. R. Co. v. Fifth Baptist Church, 137 U.S. 568	6, 7
Brulotte v. Thys Co., 379 U.S. 29	8
Busby v. Electric Utilities Union, 323 U.S. 72	8
Charles Rubenstein, Inc. v. Columbia Pictures Corp., 154 F. Supp. 216 (D. Minn.)	6
Daniels v. Beryllium Corp., 211 F. Supp. 452 (E.D. Pa.)	7
Delta Theatres v. Paramount Pictures, Inc., 158 F. Supp. 644 (E.D. La.)	6
District of Columbia v. Pace, 320 U.S. 698	8
Ercona Camera Corporation v. Brownell, 246 F. 2d 675 (C.A. D.C.)	9
Harrisonville v. W. S. Dickey Clay Mfg. Co., 289 U.S. 334	7
Highland Supply Corp. v. Reynolds Metals Company, 327 F. 2d 725 (C.A. 8)	6
Highland Supply Corp. v. Reynolds Metals Company, 238 F. Supp. 561 (E.D. Mo.)	6

Page

John Hancock Mut. Life Ins. Co. v. Kraft, 200 F. 2d 952 (C.A. 2) 9
Menendez v. Holt, 128 U.S. 514 7
Midy v. Midy Laboratories, Inc., 77 U.S. Pat. Quar. 429 (Sup. Ct., N. Y.) 7
Miller v. United States, 357 U.S. 301 8
Momand v. Universal Film Exchanges, 172 F. 2d 37 (C.A. 1) 6
Pieczonka v. Pullman Company, 89 F. 2d 353 (C.A. 2) 7
Radio Corporation of America v. Rauland Corp., 186 F. Supp. 704 (N.D. Ill.) 6
Sachs v. Cluett, Peabody & Co., Inc., 265 App. Div. 497, 39 N.Y.S. 2d 853 8
Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249 .. 8
Titcomb v. Norton Company, 208 F. Supp. 9 (D. Conn.) 6
Underwater Storage, Inc. v. United States Rubber Company, 249 F. Supp. 235 (D.C.) 1, 3, 4
United States v. Florian, 312 U.S. 656 9
United States v. General Motors Corp., 323 U.S. 373 .. 10
Williamson v. Columbia Gas and Elec. Corp., 186 F. 2d 464 (C.A. 3) 6

STATUTES:

28 U.S.C. 1292(b) 9

28 U.S.C. 1332 2

Act of December 23, 1963, 77 Stat. 510, Pub. L. 88-241, § 1, D. C. Code, § 12-301 2

D. C. Code, § 11-521 2

TEXTS:

3 Blackstone's Commentaries 220 7

Restatement of Torts, § 757 ..... 5, 8

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BRIEF FOR RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the United States Court of Appeals for the District of Columbia Circuit, printed in Appendix E to the petition, pp. 8a-16a, is not yet officially reported. The opinion of the district court, printed in Appendix D to the petition, pp. 6a-7a, is reported at 249 F. Supp. 235.

JURISDICTION

The jurisdictional requisites are adequately set forth in the petition.

QUESTION PRESENTED

In an action brought for damages for the wrongful and continuing appropriation and use of a trade secret, and for injunctive relief, the question presented is whether the action is barred by limitations merely because the initial misappropriation occurred more than three years prior to the commencement of the action.

STATUTE INVOLVED

Act of December 23, 1963, 77 Stat. 510, Pub. L. 88-241, § 1, D.C. Code § 12-301, provides in pertinent part:

> "Except as otherwise specifically provided by law, actions for the following purposes may not be brought after the expiration of the period specified below from the time the right to maintain the action accrues:
>
> * * *
>
> (8) for which a limitation is not otherwise specially prescribed—3 years."

STATEMENT

The complaint, filed by respondent in the United States District Court for the District of Columbia[1] on March 27, 1964, alleges that prior to 1958 one Harold G. Quase, respondent's assignor, developed a system for the underwater storage of strategic materials; that in January 1959 he applied for a patent on this system, which was granted on December 17, 1963; and that,

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[1] The district court's jurisdiction rested on D. C. Code, § 11-521, and not, as stated in the petition (p. 5), on 28 U.S.C. 1332.

during various times beginning in 1958, petitioner wrongfully appropriated this system and used it as its own. JA 4-5.[2] Subsequently petitioner entered into a contract to develop an underwater fuel storage system for the Navy, and in December 1960 rendered a report to the Navy setting forth its experience and findings in connection with this project. JA 4. The complaint further alleges that petitioner and its subcontractor thereafter published and advertised that the technical know-how or trade secrets wrongfully acquired by them had been conceived or developed by them. JA 4. Respondent prayed that it be awarded damages and injunctive relief. JA 4.

Petitioner filed an answer which was, in effect, a general denial. Petitioner also pleaded the statute of limitations. JA 5-7.

While respondent was proceeding with pretrial discovery, petitioner moved for summary judgment on the grounds that Quase had testified on deposition that he learned of petitioner's wrongful appropriation in January or February 1961, and that, as this was more than three years prior to the filing of the complaint herein, the entire cause of action was barred by limitations. JA 7-9.

The district court stated the issue as

> "whether a misappropriation and possible use of a trade secret constitutes a continuing tort or whether the tort is complete at the time of the original taking of the secret." (249 F. Supp. at 235).

---

[2] References herein to JA are to the joint appendix as printed for the use of the court below.

The district court held there was no continuing tort, that the three-year statute of limitations accordingly barred the action, and granted petitioner's motion for summary judgment. 249 F. Supp. at 236.

On appeal, the Court of Appeals reversed the judgment of the district court, holding that

> "the misappropriation and continuing use of a trade secret does constitute a continuing tort and that an injured party can recover for use during the statutory period preceding the filing of the suit * * *." (App. 13a)[3]

ARGUMENT

The decision of the court below is correct. No conflict of decisions is shown. Nor is the case one of great importance. The case accordingly does not warrant review by this Court. In any event, since the effect of the decision below was merely to deny petitioner's motion for summary judgment and remand the case to the district court for trial, for this Court to exercise its certiorari jurisdiction to review the case at this time would be premature.

1. The single issue in this case, as stated in the Question Presented, *supra,* p. 2, and as posed by the district court, *supra,* p. 3, was correctly decided by the Court of Appeals. The other "Questions Presented" stated in the petition were not before the district court on petitioner's motion for summary judgment, or before the Court of Appeals, and were neither discussed nor passed upon by either court. In brief, those questions are not in the case.

Speaking to the question that is presented—whether a wrongful misappropriator of a trade secret may

[3] "App." references are to the Appendix to the Petition.

make continuing use of that trade secret with impunity merely because the initial misappropriation occurred more than three years (the period of limitations) before commencement of the action—the court below said (App. 15a):

> "We do not believe that a misappropriator or his privies can 'baptize' their wrongful actions by general publication of the secret. Nor do we believe that the fact of the destruction of the secret prevents the continued use by the misappropriator or his privies from being a continuing wrong *vis-a-vis* the original possessor of the secret. It is the continuing use of another's secret, wrongfully obtained, or used after knowledge that it has been wrongfully obtained, that makes the tort a continuing one. Once the secret is out, the rest of the world may well have a right to copy it at will; but this should not protect the misappropriator or his privies."

The rule enunciated by the court below accords not only with numerous decisions in other areas of the law—holding "that a cause of action for each invasion of the plaintiff's interest arose at the time of that invasion and that applicable statute of limitations ran from that time and not from the time of the first invasion" (opinion below, App. 16a)—but also with the law of trade secrets. Petitioner's reliance upon the Restatement of Torts, § 757, is misplaced. The Restatement states the *rule* as follows: "One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if" the secret was improperly acquired. Further, clause c of § 757, headed "Disclosure or use," states that "The rule stated in this Section protects the interest in a trade secret against both disclosure and adverse use." It is

the *use* that gives rise to the liability, and it is the *use* that starts the running of the limitations period.

In the present posture of this case, it having come up from the district court's order granting petitioner's motion for summary judgment, it must be assumed, as the court below held, that there were instances within the three-year period prior to the filing of the complaint when petitioner used the wrongfully appropriated trade secret. Each unauthorized use by petitioner of respondent's trade secret thus gave rise to a new cause of action, not barred by the statute of limitations to the extent that such uses occurred during the statutory period prior to the filing of the suit. See *Aktiebolaget Bofors* v. *United States*, 93 F. Supp. 131, aff'd, 90 U.S. App. D.C. 92, 194 F. 2d 145; 139 Ct. Cl. 642, 153 F. Supp. 397; *Titcomb* v. *Norton Company*, 208 F. Supp. 9 (D. Conn.).

This is not a novel doctrine. That there may be continuing invasions of one's rights, the cause of action accruing from day to day as the rights are invaded, with the applicable statute of limitations running from each such invasion, has been recognized in private antitrust actions (*Momand* v. *Universal Film Exchanges*, 172 F. 2d 37, 49 (C.A. 1); *Williamson* v. *Columbia Gas and Elec. Corp.*, 186 F. 2d 464, 469 (C.A. 3); *Highland Supply Corp.* v. *Reynolds Metals Company*, 327 F. 2d 725, 732 (C.A. 8); *Charles Rubenstein, Inc.* v. *Columbia Pictures Corp.*, 154 F. Supp. 216, 219 (D. Minn.); *Delta Theatres* v. *Paramount Pictures, Inc.*, 158 F. Supp. 644, 649 (E.D. La.); *Radio Corporation of America* v. *Rauland Corp.*, 186 F. Supp. 704, 707 (N.D. Ill.); *Highland Supply Corp.* v. *Reynolds Metals Company*, 238 F. Supp. 561, 564 (E.D. Mo.)), in continuing nuisance cases (*Baltimore*

& P. R. Co. v. *Fifth Baptist Church,* 137 U.S. 568; *Harrisonville* v *.W. S. Dickey Clay Mfg. Co.,* 289 U.S. 334; 3 Blackstone's Commentaries 220), in trademark infringement cases (*Menendez* v. *Holt,* 128 U.S. 514, 523; *Midy* v. *Midy Laboratories, Inc.,* 77 U.S. Pat. Quar. 429 (Sup. Ct., N.Y.)), and in personal injury cases (*Pieczonka* v. *Pullman Company,* 89 F. 2d 353 (C.A. 2); *Daniels* v. *Beryllium Corp.,* 211 F. Supp. 452 (E.D. Pa.). In *Pieczonka,* an action for damages for wrongful death due to silicosis, the court, speaking through Judge Learned Hand, thus disposed of the limitations defense (89 F. 2d at 356):

> "Schmidt v. Merchants Despatch Transp. Co., 270 N.Y. 287, 200 N.E. 824, 104 ALR 450, held that in these cases the limitation begins to run from the date of breathing the dust, not from the development of silicosis; and that the workman must recover in one suit for all injuries which have resulted, or may result, from his exposure, though they have not yet appeared. It did not hold, however, that an action would not lie for injuries due to the last three years exposure, because recovery was barred for all earlier periods. *The employer got no prescriptive right to contaminate his workmen's lungs.* Therefore the fact that the deceased could not have recovered if he had left the defendant's employ on or before July 4, 1929, did not affect his right to recover at least for the period between July 5, 1929 and September 12, 1931, or for any aggravation of his malady, though already contracted." (Emphasis added)

The court below correctly held that the passage of time gave petitioner no prescriptive right to continue to use the trade secret which it had earlier wrongfully appropriated.

2. No conflict is shown between the decision below and any decision of this Court or of any United States Court of Appeals. *Brulotte* v. *Thys Co.*, 379 U.S. 29, and *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249, cited by petitioner, are inapposite. They deal with a question not present in this case, whether a patent monopoly can be maintained beyond the limited life of the patent provided by the Constitution and the patent laws.

Sachs v. *Cluett, Peabody & Co., Inc.*, 265 App. Div. 497, 39 N.Y.S. 2d 853, also cited by petitioner, was a case arising from a consensual relationship. As stated by the court below (App. 13a):

> "Although the court [in Sachs] discussed the tort theory of breach of a confidential relationship and the nature of the property rights protected, we do not read the case as establishing that the misappropriation and continuing use of a trade secret does not constitute a continuing tort."

Indeed, such a reading of *Sachs* would be inconsistent not only with the rule stated in the Restatement of Torts, § 757, *supra*, but also with the decision of the Court of Claims in the *Bofors* case, *supra*.

3. The case is not one of importance. While the opinion below has considerable persuasive value, the decision does no more than declare a rule of local law for the District of Columbia. It is well settled that "Only in exceptional cases will this Court review a determination of such a question by the Court of Appeals for the District [the court below]. *District of Columbia* v. *Pace*, 320 U.S. 698, 702, and cases cited." *Busby* v. *Electric Utilities Union*, 323 U.S. 72, 75; cf. *Miller* v. *United States*, 357 U.S. 301, 306.

4. In any event, in its present posture this case is not mature for review by this Court on certiorari. Aside from deciding that the entire action is not barred merely because the initial misappropriation and use occurred prior to the statutory limitations period, the effect of the judgment below, which reversed the district court's dismissal of the action on petitioner's motion for summary judgment, is to return the case to the district court in the same posture it would have had if the district court had denied petitioner's motion for summary judgment. Such a denial, without more (cf. 28 U.S.C. 1292(b)), would not have been appealable. *United States* v. *Florian,* 312 U.S. 656; *Ercona Camera Corporation* v. *Brownell,* 246 F. 2d 675 (C.A. D.C); *John Hancock Mut. Life Ins. Co.* v. *Kraft,* 200 F. 2d 952 (C.A. 2). On remand to the district court, respondent will be able to complete its pretrial discovery, which had been interrupted by petitioner's motion for summary judgment, and the case can proceed to trial. Whether petitioner or respondent will emerge victorious, whether respondent will be awarded damages and, if so, how much, whether respondent will prove to be entitled to equitable relief—these are questions that must await the outcome of the trial. Either party or both may prosecute further appeals to the court of appeals, and there may even be a further petition for certiorari filed. As stated in *American Construction Co.* v. *Jacksonville Railway,* 148 U.S. 372, 384:

> "* * * many orders made in the progress of a suit become quite unimportant by reason of the final result, or of intervening matters. Clearly, therefore, this court should not issue a writ of *certiorari* to review a decree of the Circuit Court of Appeals on appeal from an interlocutory order, unless it

> is necessary to prevent extraordinary inconvenience and embarrassment in the conduct of the cause."

No such extraordinary inconvenience or embarrassment in the further conduct of the cause has been shown, nor can it be, by petitioner. Nor are there here present other factors impelling this Court's review of an interlocutory order, such as a conflict among the Federal courts as to the meaning of a constitutional provision, the resolution of which "is fundamental to the further conduct of the case." *See United States* v. *General Motors Corp.*, 323 U.S. 373, 377. In these circumstances, even were there any factors in this case indicating review on certiorari, the Court should exercise its discretion so as to avoid the piecemeal review of this litigation.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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PETITIONER'S REPLY TO BRIEF FOR RESPONDENT IN OPPOSITION

Respondent maintains that, in its present posture, this case is not mature for review by this Court on certiorari. By reversing the District Court's summary judgment for defendant, however, the Court of Appeals has made a *final determination* that Petitioner shall be liable for any use he has made, within the three

year period just prior to the bringing of this action, of information which he is shown to have originally misappropriated and then published, even though such publication admittedly occurred more than three years before the action was commenced. Unless this Petition is granted this final determination is the law of the case, is binding upon the parties hereto, and will never be subject to re-examination or alteration in any subsequent proceeding herein. It has the full effect of a rule of law which is *stare decisis* within the jurisdiction of the Court of Appeals and which is highly persuasive in all other jurisdictions inasmuch as it is the only decided case on the point.

The importance of this case, deprecated by Respondent, rests in part on the fact that information, published and readily available for use by the public at large for a period exceeding in duration the period defined by the statute of limitations, has for the first time been held to give rise to an interest protectable by the common law. Thus, the importance of this case can not be appreciated if the fact of the publication of the secret information before the inception of the period defined by the statute of limitations is ignored, as it is throughout Respondent's Brief.

None of the many cases cited by Respondent in its first point of argument are relevant to a situation where the protectable interest has been destroyed before the inception of the statutory period. It is for this reason that the Court of Appeals, after being referred to most of these same cases by Respondent, decided the case on the express premise that it had no dispositive precedent to guide it. The Court of Appeals did rely heavily on a principle it found in *International News Service* v. *Associated Press,* 248 U.S. 215 (1918),

but Respondent does not mention this case. The Respondent's complete departure from the rationale of the Court of Appeals' decision suggests that Respondent, too, has serious doubts about its validity.

In view of Respondent's allegation that he has been granted a patent on this former trade secret (Complaint paragraph 3, Appendix to Petition page 1a), it is quite clear that if it obtains the injunctive relief it has prayed for, Petitioner will continue to be enjoined from using the subject matter of that patent after it has expired, in conflict with the rule laid down in *Brulotte* v. *Thys,* 379 U.S. 29 (1964) and *Scott Paper Co.* v. *Marcalus Mfg. Co.,* 326 U.S. 249 (1945).

The issuance of a writ of certiorari to the Court of Appeals for the District of Columbia Circuit in this case is therefore respectfully solicited.

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